

Message Text

CONFIDENTIAL

PAGE 01 VALLET 01196 101317Z

43

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 /055 W

----- 065391

R 101145Z OCT 75

FM AMEMBASSY VALLETTA

TO SECSTATE WASHDC 6480

C O N F I D E N T I A L VALLETTA 1196

E.O. 11652: GDS

TAGS: BTIO, MT

SUBJECT: FOREIGN INVESTMENT CLIMATE

REF: (A) STATE 229809; (B) VALLETTA 0944; (C) VALLETTA 0407

1. BEGIN UNCLASSIFIED

CENTRAL BANK OF MALTA OFFICIALS REITERATED TO EMBASSY ON OCT-
OBER 8 THAT THERE ARE NO RESTRICTIONS ON THE AMOUNT OF FOREIGN INVEST
-
MENT CAPITAL THAT CAN BE BROUGHT INTO MALTA. FURTHERMORE, THERE
ARE NO RESTICTIONS ON REPATRIATION OF EIGHTER IMPORTED CAPITAL
(PROPERLY DOCUMENTED) OR OF EARNINGS.

2. THE LOCAL MONETARY SITUATION IS VERY LIQUID. MINEY IN CIRCUL-
ATION, THAT NUMBER OF SAVINGS ACCOUNTS, AS WELL AS THE AMOUNT OF
SAVINGS, ARE ALL AT OR NEAR ALL-TIME HIGHS. INTEREST RATES ARE 8
PERCENT, BUSINESS LOANS ARE GENERALLY RESTRICTED TO LM1 MILLION
(USDOL\$250,000) TO ANY SINGLE FIRM. WHILE THERE IS A SURFIET OF
FUNDS, HOWEVER, THEIR AVAILABLITY MUST BE VIEWED IN PERSPECTIVE.
THE PRESENT BANKING CLIMATED IN MALTA REFLECTS THE VERY CONSERVATIVE
ATTITUDE OF BARCLAYS BANK, THE DOMINANT BANKING PRESENCE IN MALTA
FOR MANY YEARS. THIS CONSERVATIVE ATTITUDE IS FURTHER REINFORCED BY
THE POLICIES OF THE PRESENT LABOR GOVERNMENT. THE URGE FOR LIQUIDITY
IS

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 VALLET 01196 101317Z

SO STRONG THAT IT IS PRESENTLY WORKING TO THE DISADVANTAGE OF THE

COMMERCIAL BANKS IN TERMS OF LOST OPPORTUNITY COSTS FROM IDLE FUNDS. RESPONSIBLE OFFICIALS OF THE GOM-OWNED BANK OF VALLETTA APPRECIATE THE SITUATION AND THE NEGATIVE EFFECT IT HAS ON THE MALTESE ECONOMY. PLANS FOR A GOM-OWNED DEVELOPMENT FINANCING BANK WHICH COULD IMPROVE THE SITUATION HAVE LONG BEEN ON THE BOOKS, BUT FEW CONCRETE STEPS HAVE BEEN TAKEN TO BRING THIS NEEDED FINANCIAL INSTITUTION INTO EXISTENCE. END UNCLASSIFIED

3. BEGIN CONFIDENTIAL

COMMENT: THE INFORMATION IN PARA. 2 ABOVE IS FOR USE AT THE DEPARTMENT'S DISCRETION. WHILE THIS INFORMATION IS BELIEVED TO BE GENERALLY TRUE, THE POLITICAL SITUATION IN MALTA IS SUCH THAT PRIME MINISTER MINTOFF IS IN A POSITION TO DIRECTLY AND DECISIVELY INFLUENCE THE LOCAL FINANCIAL COMMUNITY TO SUPPORT BUSINESS PROJECTS WHICH HE FAVORS (I.E., TO OBTAIN MORE LIBERAL FINANCING) OR TO OPPOSE THOSE PROJECTS WITH WHICH HE DOES NOT AGREE. AS A RESULT, THERE IS A HIGH DEGREE OF "POLITICAL" CONTENT IN CURRENT BUSINESS DECISIONS IN MALTA. THIS IS UNLIKELY TO CHANGE, INDEED IT MAY INCREASE, UNDER THE PRESENT GOVERNMENT. ON THE OTHER HAND, THE GOM REMAINS HIGHLY INTERESTED IN THE IMPORTATION OF INVESTMENT CAPITAL FROM ABROAD, BUT INCREASINGLY SEEKS PARA-STATAL PARTICIPATION IN SUCH VENTURES. BANK OF VALLETTA OFFICIALS, MORE AWARE OF BUSINESS AND FINANCIAL REALITIES THAN PRIME MINISTER MINTOFF, HAVE INDICATED INTEREST IN NEGOTIATING THE MINORITY PARTICIPATION OF A LEADING U.S. BANK WHICH MIGHT BRING MORE LIBERAL BANKING PRACTICES TO MALTA. THIS MIGHT BE A FACTOR BEHIND THE BANK OF AMERICA'S INQUIRY. END COMMENT END CONFIDENTIAL SMITH

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 10 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975VALLET01196
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750353-0196
From: VALLETTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751064/aaaaceqh.tel
Line Count: 91
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 STATE 229809, 75 VALLETTA 944, 75 VALLETTA 407
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 05 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 JUN 2003 by SmithRJ>; APPROVED <14 OCT 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOREIGN INVESTMENT CLIMATE
TAGS: BTIO, MT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006